

VZCZCXRO4601
RR RUEHBZ RUEHJO RUEHMR RUEHRN
DE RUEHSA #0990/01 1341626
ZNR UUUUU ZZH
R 141626Z MAY 09
FM AMEMBASSY PRETORIA
TO RUEHC/SECSTATE WASHDC 8483
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE

UNCLAS SECTION 01 OF 03 PRETORIA 000990

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [ETRD](#) [SENV](#) [PGOV](#) [SF](#)

SUBJECT: INDUSTRY APPLAUDS CREATION OF DEDICATED TOURISM MINISTRY

REF: A. 08 PRETORIA 937 B. 07 PRETORIA 2211

¶1. (U) Summary. President Zuma announced a split in the existing Department of Environmental Affairs and Tourism (DEAT) when he revealed his cabinet on May 9. Former Minister of DEAT Marthinus van Schalkwyk will head the new Department of Tourism. Industry analysts welcomed the creation of a cabinet-level Tourism Minister and hoped it would signal greater government attention and support for the sector as South Africa prepared to host the 2010 FIFA World Cup. Van Schalkwyk earned industry-wide respect during his tenure at DEAT. Tourism's contribution to the South African economy has been steadily growing, as a result of increased international air links being established. Demand for additional direct flights is expected to rise during the World Cup, with nearly 70 percent of ticket applications coming from foreign fans in over 200 countries. Van Schalkwyk's good relations with the sector are expected to contribute to continued tourism development, which would provide the government with an opportunity to boost employment and skills development in the service sector and promote traditionally under-marketed regions of the country. The effect of this split on environmental enforcement remains to be determined. End Summary.

¶2. (U) The incoming Zuma administration announced on May 7 that the existing Department of Environmental Affairs and Tourism would be split to create a dedicated Department of Tourism on May 7. The announcement was confirmed on May 10, when President Zuma presented his revised government structure and cabinet appointments. The newly-formed Department of Tourism will be headed-up by former Minister of DEAT Marthinus van Schalkwyk, so his experience in the tourism sector will not be lost. He will be supported by Thozile Xasa, who has been named Deputy Minister of Tourism.

BIOGRAPHICAL INFORMATION

¶3. (U) Van Schalkwyk was born in the Limpopo Province in 1959. He has been a Member of Parliament since 1990 and served as Premier of the Western Cape Province from 2002 through 2004. Van Schalkwyk led the New National Party (NNP) from its inception in 1997 until its dissolution in 2005, following a poor showing in the 2004 general elections. He then joined the ruling African National Congress (ANC) and was rewarded with an appointment as Minister of DEAT. (Comment: At the time, parts of the white Afrikaner population viewed him as a politician who destroyed his party in order to rescue his own political career. Many of the former members of NNP transferred their loyalties to the Democratic Alliance Party. End Comment) Van Schalkwyk participated in the U.S. Government-sponsored International Visitor's Program and American Council of Young Political Leaders exchanges in 1993. He has also studied in the UK and Europe.

INDUSTRY PLEASED
WITH APPOINTMENT

¶4. (U) Tourism industry analysts welcomed the creation of a cabinet-level Tourism Minister and hoped it would signal greater government attention and support for the sector. South African Tourism (SAT) chamber congratulated van Schalkwyk for his

appointment. SAT chairperson Jabu Mabuza described the announcement as "recognition of the industry's importance to the economy embodied in the Tourism Growth Strategy, whose mandate it is to create jobs and contribute to gross domestic product." Industry representatives expressed hope that van Schalkwyk would be tasked with lobbying other relevant cabinet ministries (e.g., Transport and State Security) to capitalize on the tourism boom from the World Cup. Mabuza said "additional resources should be invested in tourism because so much rides on this industry that has delivered, and will continue to deliver, significantly to our economy."

¶15. (U) Industry analysts said initial fears that the importance of the environment to tourism would be lost with the split between Environmental Affairs and Tourism seem to have been allayed by Van Schalkwyk's appointment. Environmental groups had initially greeted his appointment as Minister of DEAT in 2005 with criticism, but he won them over with his dedication to environmental issues during his tenure. He is described as a Minister who studies issues carefully and is willing to make the hard decisions.

¶16. (U) Van Schalkwyk's tenure at DEAT was marked by a number of decisions and initiatives that have been increasingly welcomed by environmental and tourism groups. Major initiatives he is credited with include the decision to uphold appeals against the development of the N2 National Toll Road through the unspoiled Wild Coast region of the Eastern Cape Province, the promulgation and initial implementation of a new Air Quality Act, and a significant focus by the South African Government on addressing global climate change. Numerous stakeholder groups have also credited him with achieving consensus on a controversial elephant culling decision. (See Reftel B for additional background on Van Schalkwyk's environmental policies.)

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TOURISM'S GROWING
IMPACT ON ECONOMY

¶17. (U) Economist Iraj Abedian said tourism's impact on the South African economy was not far behind the mining sector's impact and noted that "while the mining sector's importance is waning under the current global economic downturn, tourism is growing." Abedian is participating in an initiative to improve tourism data collection in South Africa to bring it in line with UN data collection standards. Tourism, which cuts across many sectors of the South African economy, is estimated to have an overall contribution of about 8.4 percent of gross domestic product. Key contributors to tourism in 2008 were accommodation (22 percent), and land transport (20 percent), air transport (11 percent), and food and beverage consumption (1.8 percent).

AVIATION GROWTH
BOOSTS TOURISM

¶18. (U) Air travel in South Africa has grown above 10 percent per year over the past three years, due largely to the proliferation of low-cost airlines following the deregulation of the industry in the early 1990s and the increased volume of international traffic. Fewer than 12 international airlines flew into South Africa in 1993. This number increased to 20 by 1995, and more than 70 international airlines now fly into the country on a regular basis. Spurred by the need to meet UN Millennium Development Goals and to increase air connectivity for the World Cup, South Africa has pursued liberalized bilateral airlift strategies with Argentina, Brazil, Canada, the Republic of Korea, and the UK, among others. South Africa began negotiating these bilateral airlift strategies as an interim measure, since multilateral liberalization/open skies negotiations have been tied-up with delays in the African Union's implementation of the Yamoussoukro Decision, an Africa-wide aviation liberalization agreement (Reftel A).

¶9. (U) The recent entry of foreign carriers such as Delta Airlines, Thai Airways, and Virgin Nigeria has contributed to an increase in international passenger arrivals in South Africa and has shifted patterns for arrivals from key source markets. Recently released Statistics South Africa data reveals that the U.S. displaced Germany as the number two source of overseas tourist arrivals in 2008. The growth of U.S. tourist arrivals is attributed to the increase in air service between South Africa and the U.S. Air connectivity between the U.S. and Africa is expected to increase further as both Delta and South African Airways have announced additional route expansions and direct non-stop service to the U.S.

¶10. (U) Top Five Source Markets for Overseas Tourist Arrivals in 2008:

Rank	Source Market	Arrivals
1	UK	485,581
2	USA	302,090
3	Germany	240,420
4	France	132,679
5	Netherlands	116,251

*Source: Statistics South Africa Monthly Tourism Data

¶11. (U) Demand for additional direct flights to South Africa is expected to rise during the World Cup. More than 1.5 million applications for tickets to the 2010 FIFA World Cup had been received by March 31, for the first phase of ticket sales. About 30 percent of the applications were from South African residents, with the remaining applications received from 205 countries. U.S. fans led foreign ticket applications, followed by the British, Germans, Italians, and Australians.

COMMENT

¶12. (U) Industry representatives and analysts were pleased with the split in the DEAT and welcomed the retention of Van Schalkwyk as the Qsplit in the DEAT and welcomed the retention of Van Schalkwyk as the new Minister of Tourism. The sector is playing an increasingly important role in South Africa's economic development strategy and Van Schalkwyk's good working relations with the sector are expected to contribute to continued tourism growth. South Africa is slated to host several major international sporting events in 2009 and 2010, which will increase global awareness of South Africa as a tourism destination. Continued growth in this sector would provide the government with an opportunity to boost employment and skills development in the service sector and promote traditionally under-marketed regions of the country. The effect of this split on environmental enforcement remains to be determined.

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